

# **THE IMPORTANCE OF LOYALTY OF HIGHLY PERFORMING EMPLOYEES FOR ORGANIZATIONAL PERFORMANCE**

**Ioana-Lavinia RAȘCĂ**

*Institute for Business and Public Administration  
from Bucharest - ASEBUSS*

**Alexandrina DEACONU**

*Academy of Economic Studies Bucharest*

**Abstract.** *Competition, and efforts to increase market share and profits, made leaders of more and more companies around the world, including Romania, aware that competent and dedicated employees are the key factor in getting and retaining customers' loyalty. Despite the efforts that managers put in strategies for retaining employees, surveys show that most of the CEOs report that employee turnover increased dramatically in the last three years. In this paper, we try to find some answers to the question: "How can leaders retain high performers in the organization?" Employee satisfaction is, in our opinion, one important answer. Research performed in Romania by GFK, starting with 2005, confirm the results released by the international studies. Romanian employees appreciated respect, recognition, challenging work as being more important than fair payment. That is why we presented in the paper some methods that are meant at increasing employees' satisfaction and loyalty.*

**Key words:** loyalty, competence, motivation, satisfaction, reward.

## **1. Managers' tasks in retaining highly performing employees, in an increasingly competitive environment**

Increased competition, and efforts to increase market share and profits, made leaders of more and more companies around the world, including Romania, aware that competent and dedicated employees are the key factor in getting and retaining customers' loyalty. In manufacturing as well as services, leaders intuitively know that profits go up if customer loyalty goes up; and that customer loyalty goes up if they are served by knowledgeable employees, with appropriate skills and the right attitude. Despite the efforts that managers put in strategies for retaining employees, surveys show that most of the CEOs report that turnover increased dramatically in the last three years. It is difficult to understand and influence the behavior of one person or a small group; understanding and managing the behavior of people in larger organizations numbering in the tens of thousands spread across many locations and national cultures is extremely complex. It, therefore, represents one of the most difficult challenges faced by general managers, nowadays (Beer, 1992). Employees' satisfaction or morale refers to their positive emotional response to their job and to their work performed individually and/or as part of a group. Morale frequently has more of a group or organizational connotation than satisfaction. Ignoring employees' satisfaction is to risk some highly negative consequences, such as inability to retain valuable employees or to recruit desired talent. With scarce high performers in the organization, it is difficult to get and maintain

customers' loyalty. Job satisfaction manifests itself in different ways in different people. Whether job satisfaction is high or low depends on a number of factors including: how well a person's needs and wishes are met through work, working conditions, the way in which an individual defines himself or herself through work, and individual personality. *Latest research lead to the conclusion that satisfaction is increased when employees' satisfaction is the result of their good performance that is the result of an interesting and challenging effort, that let them improve competence and was fairly praised and rewarded* (Herzberg, 2003).

The individual is satisfied if he is intrinsically and extrinsically rewarded. The employee is intrinsically rewarded if he perceives that individual performance resulted from the effort expended is important, interesting, challenging, stretching. The employee is extrinsically rewarded if he feels that the colleagues and superiors recognize (praise) and fairly reward (pay, promote) his contribution to organizational effectiveness, efficiency and development. Two factors influence individual performance or achievement: competence and commitment. The first factor, *competence*, is a function of knowledge and skills, which can be gained from education, training, or/and experience. Competence is different from ability. Ability, or potential, is something people are born with, and can easily do. Competence, on the other hand, can be developed with appropriate direction (mentoring, coaching, education, and training) and organizational support. The second factor, *commitment*, is a combination of *confidence*, and *motivation*. Confidence is the measure of a person's self assuredness, a feeling of being able to do a task well, whereas motivation is a person's interest in and enthusiasm for doing all the efforts to perform a task well. When Herzberg researched the sources of employees' motivation during the 1950s, and 1960s, he discovered that the things that make people motivated and satisfied on the job are different from those that make them dissatisfied. Managed badly, environmental (hygiene) factors such as low salary, uncomfortable work space, bad rules, make people unhappy. But even if managed brilliantly, they don't motivate employees to work harder or smarter. People are motivated, instead, by factors that feed their need for growth and achievement: interesting work, challenge, and increasing responsibility (Herrin, 2004). Realistic expectations that effort will lead to desired performance, and consequently to desired outcomes, appropriate group norms, support, intergroup behavior, and human resources policies and practices, as well as appropriate leadership style will develop and maintain employees' motivation (Blanchard, Zigarmi and Zigarmi, 2002).

Employees' motivation to achieve good performance increases when their perceptions on managers, company, and coworkers are positive. These perceptions enhance satisfaction, and pride. These positive emotions drive motivation, which fuels creativity, productivity, commitment to work, and team cohesiveness. That is why companies that are considered very good employers enjoy outstanding performance. Statistics show that top 100 employers in Europe and The United States of America enjoy annual growth rates bigger than 20%, and receive each year six times more job applications than the number of employees (Great Place to Work Institute, 2007).

### The importance of loyalty of highly performing employees for organizational performance

Most of the employees in these companies show commitment, reporting that they would stay with their organization for more than five years.

Hay Group compared half a million committed and uncommitted employees from more than 300 companies (Hay Group, 1998). Of the 50-plus satisfaction criteria analyzed, pay was the least important. Of all factors in employee satisfaction and retention studied by Hay Group, the most important was the opportunity to learn new skills. Dissatisfied employees, ready to leave within a year, reported: „I'm in a job that does not allow me to learn and use new skills". Another top factor uncovered by Hay Group was coaching and feedback from supervisors. High performers are the employees most interested in receiving feedback. If they don't get it, they think: „This company doesn't care about me". Hay Group proved again that employees do not leave companies, they usually leave bosses. If manager does not treat direct report right, none of the other criteria matters. In a Kepner Tregoe survey, 16% of respondents identified conflict with the boss as one of the three most common reasons for the departure of top-performing employees. What to do with bad bosses? Kepner-Tregoe lists „a staistepping process for conflict resolution". Among seven practices it found at companies effective in retaining employees: „A common practice for retention that leaders employ is to offer legitimate alternative avenues that allow employees to circumvent their immediate supervisor, if necessary, and get their problem resolved". Motorola, for example, allows workers to take grievances to senior executives.

When asked which events caused by managers increased their satisfaction, employees also think of interpersonal events, for example circumstances in which managers praise them, work collaboratively with them as peers, create a relaxing atmosphere, provide emotional support. However, research showed that the most important managerial behaviors that increase employee satisfaction are: *enabling their progress* and *treating them decently*, as human beings (Amabile and Kramer, 2007).

– *Being able to make progress* in the work is very important for employees' satisfaction. That is why providing direct help, providing adequate resources and time, and reacting to success and failure with a learning orientation, versus an evaluating one, are the appropriate managerial behaviors. One of the most important managerial behaviors is setting of clear goals. People make more progress when managers clarify where the work is heading and why it matters. When goals are not clear, work proceeds in wrong directions and performance suffers, lowering motivation. When managers do not do their best to facilitate progress, people draw their own conclusions: they either imagine that their superiors consider their work unimportant and willingly undermine it, or they consider them as being incompetent.

– *Interpersonal relations* have to be in tandem with progress. Praise without real work progress or at least solid efforts towards progress, has little impact on satisfaction, and can even lead to cynicism. On the other hand, good work progress without any recognition, or worse, with criticism about trivial issues, lead to sadness or anger. The best situation is when people are aware that they did a good job, and managers appropriately recognize it.

## 2. What do Romanian employees expect from good employers

Since 2005, GFK Romania, together with *Capital* Magazine, has carried out surveys regarding the employee satisfaction, for creating “The top of the best 100 companies to work for”. The results synthesized in Figures 1 and 2 show that the situation of the employee satisfaction in our country is similar to what was mentioned above. The interviewed employees (between 11 and 100 for each company) belong to middle management, and their confidentiality was 100% protected. They assessed their employers according to 37 criteria, grouped in four main categories: working conditions, quality of collaboration, salary and benefits package, criteria of salary increase.

In all these three years when the surveys were carried out, it was demonstrated that the employees in the top companies - where it is assumed that the physiologic basic needs are satisfied - praise most to be respected, to have their merits acknowledged, to work in a constructive environment. These are thus the motivating factors, according to Herzberg’s theory. It should be noticed the fact that the salary importance decreased, descending from the second position, where it was in 2005, to the fifth position in 2006 and 2007. The hygiene factors are in Romania on the last positions in the hierarchy of the employees’ preferences, too. The meal tickets, the relaxation and sport facilities are on the last three positions of the 37 satisfaction criteria analyzed by the participants to the survey. The survey showed that the Romanian employees appreciate, besides the salary, the degree of adaptation of the compensation package to the individual specific needs. They consider this supplementary effort a proof of respect and appreciation.

Criteria	2007	2006	2005
1	Respect	Respect	Respect
2	Recognition	Opportunities for professional development	Compensation
3	Pleasant and challenging job	Recognition	Good collaboration with top management
4	Opportunities for professional development	Pleasant and challenging job	Pleasant and challenging job
5	Compensation	Compensation	Feedback

**Figure 1.** The most important factors for employee satisfaction, according to the survey carried out by GFK Romania for Capital Magazine

### The importance of loyalty of highly performing employees for organizational performance

Criteria	2007	2006	2005
33	Paid work trips	Paid overtime	Breaks, relaxation (trips, parties)
34	Breaks, relaxation (trips, parties)	Break facilities	Location
35	Break facilities	Breaks, relaxation (trip, parties)	Lunch
36	Sports facilities	Sports facilities	Sports facilities
37	Lunch	Lunch	Break facilities

**Figure 2.** The least important factors for employee satisfaction, according to the survey carried out by GFK Romania for Capital Magazine

The GFK survey assessed, besides other factors regarding the organizational culture, the employees' perception of the respect paid to them by their managers. The results reveal the fact that, even if the situation is improving, the Romanian management still applies the authoritative style, the subjective punishments, imposing by force the opinions and the decisions of the top management, frequently unfounded. Even if managers speak politely, do not raise the voice, and do not cut the salaries, they involuntarily offend their subordinates, by criticizing them harshly in public, and forgetting permanently to recognize their merit or involve them in the decision-making process. This behavior has serious consequences on the employee satisfaction, more than 70% of the interviewed showing that they want their judgment to be respected and taken into account. According to them, this would mean that they should be offered interesting positions that allow them to prove and develop their competence, should be informed clearly about the organizational goals, should be involved in drawing up the objectives, should be given and asked feedback.

### 3. Ways to improve the loyalty of highly performing employees

Research showed that job satisfaction does not necessarily lead to better job performance. However, defensive behavior, sabotage, absenteeism, turnover were reported as certain behavioral consequences of frustrated employees. Dissatisfied employees will not perform at peak level, even if they do not leave the organization, which has negative consequences on organizational performance. Studies show that in organizations exist more types of employees: enthusiastic for their whole stay in the company; enthusiastic for approx. 6 month; disappointed; allergic to work.

Managers in good organizations are consistently acting in order to maintain at high levels employees' enthusiasm, and minimize the level of disappointment. Factors that lead to these positive results are:

- A proper orientation process, in which supervisors show respect to new entrants from the first moment;

- Support provided in order that new employees achieve as soon as possible the necessary level of competence, and to maintain it in time. Training, coaching, mentoring are very helpful in this respect;
- Stimulating work conditions, that enhance performance: required technology is available, while trust and a relaxed working atmosphere encourages communication and collaboration;
- Interesting, challenging, significant work makes employees feel important for the organization, and enjoy the opportunities to develop their competence;
- Involvement in the decision process leads to their increased quality, and acceptance;
- Effective managerial process, characterized by constructive feedback, empowerment, make employee confident in their status;
- Discharge of the employees that are allergic to work, despite the efforts made in order to put them on the right track, will send the message that managers know to really evaluate quality of work.

Top management would be wise to assess satisfaction levels in their organizations – by business unit, and by job category. One way to do this is to use climate or satisfaction surveys at intervals. *Such surveys lead to an understanding of what should be changed in the organization, and what topics should be kept and enhanced, in order to increase satisfaction. To be useful, the questions should be relevant, and the response rate high enough to lead to a relevant aggregated satisfaction indicator. It is important that the evolution in time of the satisfaction indicators is tracked, and that indicators are computed for and compared among the various business units of the same organization at a certain point in time. Comparisons with other companies are extremely important.*

- *The questions* should address issues related to different factors that influence employee satisfaction such as: career, leadership, collaboration, communication, work conditions, etc. Key employees should be involved in developing the questionnaires, which should be relevant to the organization and not too long. To make the process more useful, it is important to create a method through which factors of satisfactions are ranked according to their perceived importance.
- More factors lead to satisfactory *response rates*:
  - *Good communication* is extremely important in order that employees are aware of the fact that they have to fill in questionnaires and why; employees should be encouraged to fill them in;
  - The *period of the year* when the questionnaires are handed to employees is extremely important: periods with high workload, or holiday periods are not appropriate;
  - *The trust that confidentiality is protected* is crucial;

## **The importance of loyalty of highly performing employees for organizational performance**

- *Employees' confidence in the worthiness of their effort* has also to be built in order that they continue to involve themselves in the process as many times as they are asked. Towards this end, participants in the survey should be informed about the results obtained. More than these, they should be involved in the process of developing actions meant to increase their satisfaction, and let know how these actions were implemented and what the results were.

So, if well managed, such surveys lead to increased satisfaction, on the one hand because they detect things to be improved in the organization, on the other hand because employees feel that they are part of the decision making process, proof that top managers respect them and believe they are significant for the organization.

### **4. Conclusions**

In the knowledge based economy, developed in a global more and more competitive environment, customers' loyalty is critical for organizational performance. The higher customers' loyalty is, the higher profitability, market share, and enduring growth companies will enjoy. Customer loyalty is closely linked with employee expertise, and dedication. Despite the efforts that managers put in strategies for retaining best employees, surveys show that most of the CEOs report that turnover increased dramatically in the last three years. Studies show that employers pay too much attention to the reasons for which employees leave, instead of being concerned with retaining them. They provide the incentives that they consider to be appropriate, not the ones employees would really appreciate.

Some of the most important factors that contribute to employee satisfaction and consequently to their dedication and good performance, also increasing the retention rate are: appropriate leadership and human resources practices, interesting, challenging work, opportunities for career development, constructive feedback, recognition and respect. Top management would be wise to assess satisfaction levels in their organizations – by business unit, and by job category. One way to do this is to use climate or satisfaction surveys at intervals. If well managed, such surveys lead to increased satisfaction, on the one hand because they detect things to be improved in the organization, on the other hand because employees feel that they are part of the decision making process, and feel that top managers respect them and believe they are significant for the organization.

## References

- Amabile, T.M., Kramer, S.J. (2007) Inner Work Life – Understanding the Subtext of Business Performance, *Harvard Business Review*, May
- Beer, M. (1992) *Note on Organizational Effectiveness*, Harvard Business School Publishing, 1992
- Blanchard, K., Zigarmi, P., Zigarmi, D.(2002) *Leadership and the One Minute Manager – Increasing Effectiveness Through Situational Leadership*, William Morrow & Company, Inc.
- Herrin, A. (2004) Who's Job is Employee Satisfaction, *Harvard Business Review*
- Herzberg, F. (1966) *Work and the Nature of Man*, The world Publishing Company.
- Herzberg, F. (2003) One more time: How do you motivate Employees?, *Harvard Business Review*, January
- Prewitt, E. (1999) How to Keep your Company's Star Employees, *Harvard Business Review*, May
- Rasca, L., Preyer, H. (2008) From Satisfied Employees to Dedicated High Performers, ASEBUSS Human Resources Club, *Cariere*, February
- \*\*\* GFK Romania, *Top 100 Employers in Romania*
- \*\*\* Great Place to Work Institute, *Report 2007*
- \*\*\* Hay Group , *The 1998-99 Hay Employee Attitude Study*, 1998
- \*\*\* Kepner-Tregoe Inc., *Avoiding the Brain Drain: What Companies Are Doing To Lock Their Talent*, 1999